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July 26, 2001

Investor Update

Governor Vetoes Budget (Press Release from the Governor's Office)

GOVERNOR VETOES BUDGET SAYING 'WE CAN DO BETTER, AND WE MUST DO BETTER FOR OUR CHILDREN'

NASHVILLE—Gov. Don Sundquist today called upon legislators to sustain his veto of House Bill 2038/Senate Bill 2000 and work together to invest in the future of Tennessee.

"I still believe that as individuals, most of the members of the Tennessee General Assembly do care what happens to the children of this state," Sundquist said during a news conference in his Capitol office in Nashville.

"I think many, if not most, of the members of the General Assembly, like me, believe we can do better than this budget. We can do better, and we must do better for our children."

On July 12, the General Assembly passed a budget that uses one-time money to pay for recurring expenses. It uses four years of the state's tobacco settlement payments, one of which Tennessee has yet to receive, totaling nearly \$560 million to cover annual recurring expenses.

"The budget the General Assembly passed this year is even more harmful to the people of Tennessee than last year's," Sundquist said. "In fact, if the Legislature had deliberately set out to wreck the state's finances, I doubt it could have done a better job."

The state will now operate under a temporary continuation budget that the Legislature passed June 29. Members are scheduled to reconvene August 7.

As he signed the veto message, the governor said, "We can do better, and I'm ready to start work with the General Assembly today."

Further Downgrades

On July 25, 2001, prior to the Governor's veto of the budget, Standard & Poor's released the following issuer downgrades:

Tennessee State School Bond Authority: From AA/negative to AA-/negative

Tennessee Local Development Authority: From AA-/negative to A /negative

The State will appeal these ratings and is working to schedule a meeting with Standard & Poor's during the week of July 30, 2001.